



HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

ADMINISTRATIVE APPLICATION – CERTIFICATE OF NEED PROGRAM

Application Number 03-08A

Applicant: Maui Memorial Medical Center
221 Mahalani Street
Wailuku, Maui
Phone: 808-242-2036

Project Title: Addition of 22 medical/surgical and 5 obstetric beds and the
deletion of 3 psychiatric beds

Project Address: 221 Mahalani Street
Wailuku, Maui

1 TYPE OF ORGANIZATION: (Please check all applicable)

Public X
 Private _____
 Non-profit X
 For-profit _____
 Individual _____
 Corporation X
 Partnership _____
 Limited Liability Corporation (LLC) _____
 Limited Liability Partnership (LLP) _____
 Other: _____

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2. PROJECT LOCATION INFORMATION**A. Project will be located in:**

State Senate District Number: 4 State House District Number: 9

County Council District Number: _____ Neighborhood Board District
 Number: All Maui County (Maui has not County Council District Numbers)
 (O'ahu only)

B. Primary Service Area(s) of Project: (please check all applicable)

Statewide:

O'ahu-wide: _____
 Honolulu: _____
 Windward O'ahu: _____
 West O'ahu: X
 Maui County: _____
 Kaua'i County: _____
 Hawai'i County: _____

3. DOCUMENTATION (Please attach the following to your application form):

- A. Site Control documentation (e.g. lease/purchase agreement, DROA agreement, letter of intent) N.A.
- B. A listing of all other permits or approvals from other government bodies (federal, state, county) that will be required before this proposal can be implemented (such as building permit, land use permit, etc.) Increased license capacity from OHCA
- C. Your governing body: list by names, titles and address/phone numbers (Attachment A)
- D. If you have filed a Certificate of Need Application this current calendar year, you may skip the four items listed below. All others, please provide the following:
 - Articles of Incorporation N.A
 - By-Laws Attachment B
 - Partnership Agreements
 - Tax Key Number (project's location) 2-3-8-0-46-013

4. **TYPE OF PROJECT.** This section helps our reviewers understand what type of project you are proposing. Please place an "x" in the appropriate box.

	Used Medical Equipment (over \$400,000)	New/Upgraded Medical Equip. (over \$1 million)	Other Capital Project (over \$4 million)	Change in Service	Change in Beds
Inpatient Facility					XX
Outpatient Facility					
Private Practice					

5. **BED CHANGES.** Please complete this chart only if your project deals with a change in your bed count and/or licensed types. Again, this chart is intended to help our reviewers understand at a glance what your project would like to accomplish. Under the heading "Type of Bed," please use only the categories listed in the certificate of need rules.

Note: The "SHPDA recognized" and the "licensed" counts are different. See p. 7

Type of Bed	Current Bed Total	Proposed Beds for your Project	Total Combined Beds if your Project is Approved
Medical/Surgical	145	+ 22	167
Critical Care	15	0	15
Obstetric	18	+ 5	23
Psychiatric	21	- 3	18
TOTAL	199	+ 24	223

REPLACEMENT PAGE

6. PROJECT COSTS AND SOURCES OF FUNDS

A. List All Project Costs:

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AMOUNT:

- 1 Land Acquisition
2. Construction Contract
3. Fixed Equipment
4. Movable Equipment
5. Financing Costs
6. Fair Market Value of assets acquired by
lease, rent, donation, etc.
7. Other: _____

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TOTAL PROJECT COST:

\$ 0.00*

B. Source of Funds

- 1 Cash
2. State Appropriations
3. Other Grants
4. Fund Drive
5. Debt
6. Other: _____

TOTAL SOURCE OF FUNDS:

\$ 0.00*

* There is no capital expense involved. The rooms are available and there are no renovation or equipment expenses.

7. **CHANGE OF SERVICE:** If you are proposing a change in service, then please briefly list what services will be added/modified. Be sure to include the establishment of a new service or the addition of a new location of an existing service. Please reference the Certificate of Need Rules Section 11-186-5 for the categories of services. If you are unable to determine which category best describes your project, please consult with agency staff.

N.A.

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8. **IMPLEMENTATION SCHEDULE:** Please present a projected time schedule for the completion of this project from start to finish. Include all of the following items that are applicable to your project:

see page 7

- a) Date of site control for the proposed project,
- b) Dates by which other government approvals/permits will be applied for and received,
- c) Dates by which financing is assured for the project,
- d) Date construction will commence,
- e) Length of construction period,
- f) Date of completion of the project,
- g) Date of commencement of operation

Please remember that the Agency does monitor the implementation of Certificates approved. Non-implementation of a project as described in your application may result in a fine and/or withdrawal of the certificate of need.

9. **EXECUTIVE SUMMARY:** Please present a brief summary of your project. In addition, provide a description of how your project meets each of the certificate of need criteria listed below. If a new location is proposed, please attach an easy to read map that shows your project site.

see page 7

- a) Relationship to the Hawai'i Health Performance Plan (H2P2), also known as the State of Hawai'i Health Services and Facilities Plan.
- b) Need and Accessibility
- c) Quality of Service/Care
- d) Cost and Finances (include revenue/cost projections for the first and third year of operation)
- e) Relationship to the existing health care system
- f) Availability of Resources.

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10. **Eligibility to file for Administrative Review.** This project is eligible to file for Administrative review because: (Check all applicable)

XX

It involves bed changes, which will have a capital expense of \$1,000,000 or less, and which will have an increased annual operating expense of less than \$500,000.

It involves service changes which will have a capital expense of \$1,000,000 or less, and which will have an increased annual operating expense of less than \$500,000.

It is an acquisition of a health care facility or service, which will result in lower annual operating expenses for that facility, or service.

It is a change of ownership, where the change is from one entity to another substantially related entity.

It is an additional location of an existing service or facility.

The applicant believes it will not have a significant impact on the health care system.

8. Implementation Schedule

Maui Memorial Medical Center (MMMC) will add 22 medical-surgical beds to its existing capacity of 145 beds. The beds and space are already available, and MMMC will be able to begin opening them as soon as the Certificate of Need ("Certificate") is granted. This application also proposes the addition of 5 obstetric beds, bringing the total from 18 to 23. The existing obstetric unit already has a capacity of 23 beds. Finally, this application proposes the deletion of 3 psychiatric beds, reducing the count from 21 to 18. The existing psychiatric units are only able to accommodate a total of 18 beds.

- a) Date of site control for the proposed project. **Not applicable. MMMC already controls the site.**
- b) Dates by which other government approvals/permits will be applied for and received. **The only other government approval needed is an increase in licensure from OHCA. MMMC will apply for this increase as soon as the Certificate is issued.**
- c) Dates by which financing is assured for the project. **Not applicable. There is no capital expense and no financing required.**
- d) Date construction (renovations) would commence: **Not applicable. No construction or renovations are necessary.**
- e) Length of construction period: **Not applicable.**
- f) Date of completion of the project: **Immediately upon receipt of the Certificate.**
- g) Date of commencement of operation: **Immediately upon receipt of the Certificate.**

9. Executive Summary

The main purpose of this application is to add 22 beds to MMMC's medical/surgical ("med/surg") beds. We also propose to add 5 Obstetric ("OB") beds and delete 3 Psychiatric beds.

Medical/Surgical Beds. The proposed addition of 22 med/surg beds will increase our med/surg capacity from 145 to 167. There is a growing need for additional acute beds at MMMC. Our 2001 utilization rate was 83.69%, which was the highest of any acute facility in the State, except for St. Francis-West. For example, Queen's Medical Center, the largest facility, had a rate of 71.91%. The need for med/surg beds will continue to increase as the population increases and ages, and as the number of long-term patients waitlisted in acute beds increases.

Fourteen of the additional beds will be added in the Lanai North wing, which currently is mainly used to accommodate outpatients that are undergoing procedures which require a stay of less than 24 hours. Lanai North has also been used from time to time in emergencies to accommodate overflow patients. The unit is already equipped, but will require additional staff. We also plan to add 1 bed to the Maui East unit and 7 beds to the Molokai East unit. These are currently large private rooms, which have enough space to accommodate a second bed with waivers from OHCA.

Obstetric Beds. We propose to add 5 OB beds to our current count of 18 beds, bringing the OB unit up to 23 beds. The OB unit already contains 23 beds, and MMMC has been operating it as such since 1999. We are unsure why a Certificate of Need was not obtained in 1999, but now we wish to get SHPDA approval of the total so that the unit will be officially recognized at its 23 bed capacity.

Psychiatric Beds. We propose the deletion of 3 psychiatric beds, reducing our total from 21 to 18. Some years ago, MMMC received SHPDA approval to establish a total of 21 psychiatric beds. However, we believe that once the project was under construction it was determined that only 18 beds could be accommodated. Accordingly, only 18 beds were established. MMMC would like to officially reduce the recognized bed count by 3, so that the recognized bed count is the same as the count we are actually able to operate.

A. Relationship to the H2P2 Criteria

The proposal in this application relates well to the provisions of the H2P2. MMMC is the only full service acute care facility on the island, and must be able to meet the community's need for inpatient services, including an adequate supply of med/surg beds.

The critical elements of a health care delivery system, as defined in the H2P2, are access, quality management, cost-effectiveness, continuity of care and constituent participation. All these elements are addressed by MMMC in general and this proposal in particular.

- Timely access to inpatient med/surg services requires an adequate supply of beds to meet peak demand as well as a more routine level of demand. There have been times during the past few years, for example during winter seasons, when all 140 med/surg beds have been occupied and patients were backed up in holding beds in the emergency room waiting for an inpatient bed to become available.

- Quality is assured through the hospital's standard quality control programs.
- Cost-effectiveness is assured through the provision of sufficient beds to provide appropriate service to patients needing a med/surg bed.
- Continuity of care is assured through the provision of an appropriate level of med/surg service at Maui's only medical center, with its comprehensive range of medical professionals and inpatient services.
- Constituent participation is assured through the input of various consumer and provider groups in the function of the medical center.

The proposal also relates will to the values and priorities of the Maui County "Tri-Isle" Subarea Health Planning Council ("SAC") as identified on pages III-9 to III-12 of the H2P2. For example, the proposal to increase med/surg beds to an adequate level meets the SAC's values that services should be accessible, effective and appropriate.

B. Need and Accessibility Criteria

The proposal relates well to these criteria. MMMC has seen a steady increase in the need/demand for med/surg beds and services, and we project that this increase will accelerate in coming years. The increased need is mainly due to:

- The general population growth in Maui.
- The aging of the population.
- The lack of long-term care beds, causing patients to be "waitlisted" in acute beds pending the availability of a long term bed somewhere in the community. For example, at the time of this application is written there are approximately 45 waitlisted patients, as compared to 25 on December 31, 2001, the number which appears in the last Utilization Report of SHPDA.

MMMC, being the only major hospital on Maui, must have an adequate number of med/surg beds in order to provide the services the people need.

The table below shows: actual med/surg utilization data at MMMC for CY2001 (SHPDA Utilization Report); actual data for FY2002 (MMMC data); and projected data for FYs 2003 and 2004 (MMMC projections). The table assumes that the bed count remains at the current operating total of 140.

MMMC MED/SURG UTILIZATION

	CY 2001*	FY 2002**	FY 2003***	FY 2004***
Beds	140	140	140	140
Patient days	44,080	45,707	46,674	55,560
ADC	120.8	125.22	127.87	152.22
% Occupancy	86.26%	89.44%	91.34%	108.72%

*SHPDA Utilization Report, 2001

**MMMC Data

***MMMC Projections

As noted earlier, MMC already has the second highest med/surg occupancy rate in the State, surpassed only by St. Francis-West. A frequently-accepted benchmark in the hospital industry is that an acute care hospital should plan for no more than an 85% average occupancy rate. Beyond that, the hospital is unable to provide enough beds to meet the fluctuations of peak demands, such as seasonal increases or flu epidemics.

There have been times in 2002 when as many as 19 of our 21 emergency bays were occupied by patients waiting for an inpatient bed, resulting in delays of up to 6 hours for patients presenting at the Emergency Room.

As shown in the table above, MMC has experienced a steady increase in med/surg utilization. We are expecting a major jump in 2004, primarily due to the increasing problem of waitlisted patients. As noted above, the number of waitlisted patients has almost doubled since 2001, and our experience indicates continuing major increases.

The services at MMC are accessible to all patients. MMC has provisions to assure that services are provided to all residents of the area, including low income persons, racial and ethnic minorities, women, handicapped persons, other underserved groups and the elderly.

C. Quality of Service/Care Criteria.

The proposal relates well to these criteria. Quality service for med/surg patients requires the availability of med/surg beds. Without sufficient beds, acute patients are backed up in the ER, emergency patients have delays in receiving emergency care, and elective procedures have to be re-scheduled or delayed.

MMC is accredited by the Joint Commission of Accreditation of Healthcare Organizations, licensed by the Department of Health and

certified by Medicare. MMMC has ongoing quality improvement programs, and a history of providing quality service.

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D. Cost and Finances Criteria.

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The proposal meets these criteria. There are no capital costs involved, since the rooms and equipment are already available. There will be increased operating costs, including personnel expenses.

Attachment C to this application is a 5 year revenue and expense projection showing the expected impact of this project. To show the effect of this proposal, the projections are based on the assumption that there will be a major increase in med/surg days from FY 2003 to 2004, and that all other services remain constant. (See Attachment D, "MMMC Monthly Census by Nursing Unit" for these bed-day assumptions). Attachment C shows that MMMC will continue to have an excess in revenue over expenditures, even given the increased operating expenses of these additional med/surg beds.

E. Relationship to the Existing Health Care System Criteria.

The proposal relates well to these criteria. MMMC is the only full service acute hospital on the island of Maui and the only provider of inpatient and emergency services. It needs to have sufficient beds to meet the needs of the community on a timely basis.

F. Availability of Resources.

The proposal meets these criteria. There are no new capital expenses involved. Operating revenue is available since revenue will continue to exceed expenses.

The service will require a total of 17.6 FTE new staff. (See Attachment E for a unit by unit staffing pattern.) Although there is a shortage of nurses throughout the industry, MMMC has successfully hired and retained new nursing staff. We are confident that we can recruit the additional staff needed to operate the increased beds proposed in this project.

REPLACEMENT PAGE